

Message Text

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61

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PM-07 H-03 L-03 PA-03 PRS-01 USIA-15 RSR-01

/167 W

----- 000350

R 031500Z AUG 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4898

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

USMISSION OECD PARIS

UNCLAS DUBLIN 1029

E.O. 11652: N/A

TAGS: EFIN, EI

SUBJ: IRISH BANKS INCREASE RATES TO RECORD LEVELS

1. MAJOR IRISH COMMERCIAL BANKS HAVE ANNOUNCED INCREASES IN
LENDING RATES BY 1.5 PERCENT FROM CLOASE OF BUSINESS AUGUST 3.
NEW RATE PERCENTAGE STRUCTURE AS FOLLOWS:

OVERDRAFTS

AND TERM

LOANS OF A

YEAR ORF TERM LOANS LOAN

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L LESS 1-3YRS 3-5YRS 5-7YRS ACCOUNTS

A	10.25	10.75	11.25	11.75	12.25
AA	11	11.5	12	12.5	13
AAA	11.75	12.5	13.25	13.75	14.5

AAA - BORROWERS ARE THE GOVERNMENT, LOCAL AUTHORITIES
AND LARGE INDUSTRIAL COMPANIES.

AA - BORROWERS ON THE PREFERENTIAL RATE SUCH AS CHARITIES
AND SCHOOLS.

A - OTHER BORROWERS INCLUDING PERSONAL BORROWERS.

2. SPECIAL (LOW) RATE UNDER WHICH BANKS LEND MONEY
UNDER CAPITAL EXPORTS SCHEME ALSO GOING UP BY ONE
PERCENT TO 7 PERCENT.

3. DEPOSIT RATES ALSO GOING UP, WITH RATE ON DEPOSITS
OF UNDER 25,000 POUNDS STERLING INCREASED TO 7 PERCENT AND TO
9 PERCENT ON DEPOSITS OVER 25,000 POUNDS.

4. LENDING RATE INCREASED AS RESULT RECENT ESCALATION
IN BRITISH RATES, IN ORDER PREVENT HAEMORRHAGE IN CAPITAL
FLOW FROM IRELAND TO BRITAIN.

5. DIRECTOR GENERAL OF CONFEDERATION OF IRISH INDUSTRIES
SAID RAISE IN LENDING RATES CAME AT PARTICULARLY BAD
TIME, WHEN MANY INDUSTRIES HAD DIFFICULTY ALREADY IN
FINANCING PURCHASES OF RAW MATERIALS FROM ABROAD, AS COSTS
WERE RISING RAPIDLY BUT FINISHED PRODUCT PRICES ARE
TIGHTLY CONTROLLED. HE ALSO NOTED THAT RISE IN RATES WOULD
DELAY DECISION BY INDUSTRY TO INVEST IN NEW PLANT NECESSARY TO
MAINTAIN COMPETITIVENESS OR EXPAND, AND THUS WOULD TEND TO
HALT DECLINE IN UNEMPLOYMENT. (UNEMPLOYMENT IN
JUNE FEEL TO 6.7 PERCENT OF INSURED POPULATION.
LOWEST LEVEL IN 2 YEARS.) OTHER COMMENTATORS EXPRESSED
FEARS THAT MORTGAGE RATES WOULD RISE TO CRIPPLINGLY HIGH
LEVELS. IRISH PRESS URGED THAT SOME WAY BE FOUND TO
REDUCE IRISH DEPENDANCE ON FLUCTUATIONS IN BRITISH ECONOMIC
FORTUNES AND NOTED MAIN EFFECT OF RISES WOULD BE TO CONTRIBUTE
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TO ALREADY VICIOUS CIRCLE OF INFLATION.
MOORE

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NNN

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EO Systematic Review
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TAGS: EFIN, EI
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